

Message Text

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TAGS: EGEN, MX
SUBJECT: PUBLIC-PRIVATE SECTOR AGREEMENTS

1. SUMMARY: LOPEZ-PORTILLO PRESIDED OVER MEETING OF GOVERNMENT AND PRIVATE SECTOR LEADERS ON DEC 10, TO FORMALIZE AGREEMENTS BETWEEN GOVERNMENT AND 140 BUSINESSES TO BOOST OUTPUT AND EMPLOYMENT OVER THE NEXT SIX YEARS. AGREEMENTS WERE TOUTED AS PART OF JLP'S ALLIANCE FOR PRODUCTION AND REPRESENT INFORMAL SECTOR PLANNING, WITH MORE PROMISED. MORE IMPORTANTLY, THEY REPRESENT A MARKED CHANGE FOR THE BETTER IN PUBLIC-PRIVATE SECTOR RELATIONS. END SUMMARY.

2. LOPEZ-PORTILLO PRESIDED OVER MEETING OF PUBLIC AND PRIVATE SECTOR LEADERS ON DEC 10, TO FORMALIZE THE AGREEMENTS BETWEEN HIS ADMINISTRATION AND TEN INDUSTRIAL GROUPS INCLUDING 140 BUSINESSES. THE AGREEMENTS PROVIDE FOR SPECIFIC ACTIONS BY BOTH THE GOVERNMENT AND THE PRIVATE SECTOR. THE AGREEMENTS WERE NEGOTIATED PRIOR TO DEC 1, BY THE LOPEZ-PORTILLO TEAM AND CALL FOR THE INVESTMENT OVER SIX YEARS OF 100 BILLION AUGUST 1976 PESOS AND THE CREATION OF 300,000 JOBS.

3. INDUSTRIES COVERED BY THE TEN AGREEMENTS ANNOUNCED DEC 10, ARE PETROCHEMICALS, CAPITAL GOODS, IN-BOND ASSEMBLY PLANTS, TOURISM, VEGETABLE OILS, CEMENT, MINING, AUTOPARTS AND AUTO ASSEMBLY PLANTS. THE AGREEMENTS ARE NOT BINDING, THOUGH THE
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GOM SEEMS TO BE PUBLICIZING THEM AS SUCH. AS AN EXAMPLE, THE

AUTOPARTS AGREEMENT (A) CALLS FOR THE GOVERNMENT TO ENSURE ACCESS TO IMPORTS, (B) REQUIRES A STUDY OF TAX INCENTIVES, AND (C) CONTEMPLATES A RATIONALIZATION OF THE PRICE CONTROL MECHANISM.

4. FOREIGN BUSINESSMEN WHO PARTICIPATED IN THE DISCUSSIONS TELL US THEY FOUND THE LOPEZ-PORTILLO TEAM OPEN AND SYMPATHETIC TO THEIR PROBLEMS. ONE FAIRLY COMMON COMPLAINT BY BUSINESSMEN CONCERNED THE PRICE CONTROL SYSTEM WHICH THEY MAINTAIN HURTS PROFITS AND THEREBY HINDERS INVESTMENT. THE AGREEMENTS APPEAR TO CALL FOR A REVIEW OF THIS SYSTEM AND LOPEZ-PORTILLO IN HIS SPEECH SAID THAT MEXICO WOULD SOON HAVE TO ABANDON THIS POLICY OF "ECONOMIC-FICTION" AND FACE NEW PRICE INCREASES.

5. LOPEZ-PORTILLO SAID THE AGREEMENTS CONFIRMED ON DEC 10, WERE ONLY THE BEGINNING AND THAT SHORTLY A SECTOR PLAN FOR AGRICULTURE, FORESTS AND FISHING WOULD BE ANNOUNCED. HE ALSO SAID A "GLOBAL" PLAN FOR THE PUBLIC SECTOR BROKEN DOWN BY SECTORS, WOULD BE ANNOUNCED IN JANUARY 1977. THE PRESIDENT PICKED UP A THEME FROM HIS DEC 1 SPEECH AND SAID THAT THE POST-WORLD WAR II ECONOMIC POLICIES HAD TERMINATED. HE CALLED THE PRIVATE SECTOR A PARTNER IN ATTAINING A NEW BASIC OBJECTIVE WHICH HE DESCRIBED AS GUARANTEEING A MINIMUM LEVEL OF SUBSISTENCE FOR THE POPULAR CLASSES.

6. LOPEZ-PORTILLO'S SPEECH WAS CONCILIATORY AND FRIENDLY, QUITE THE CONTRARY OF ECHEVERRIA WHO TENDED TO TREAT MANAGEMENT AS SELF-SEEKING WITH NO INTEREST IN PURSUING COURSES OF ACTION THAT WOULD BENEFIT THE ENTIRE POPULATION. NEEDLESS TO SAY, THE BUSINESS COMMUNITY WELCOMED THE CHANGE OF TONE.

7. THE NEXT HURDLE FOR THE NEW ADMINISTRATION WILL BE THE 1977 BUDGET THAT IS TO BE RELEASED THIS WEEK, PROBABLY BY WEDNESDAY. IF THE TARGETS IN THE IMF PROGRAM ARE TO BE ATTAINED, THE BUDGET WILL HAVE TO INCLUDE MEASURES TO INCREASE REVENUE SUBSTANTIALLY. TO THE DEGREE THAT THESE IMPACT ON BUSINESS, THE HONEYMOON JLP IS NOW ENJOYING WITH BUSINESS MAY BE AFFECTED, THOUGH NOT NECESSARILY ENDED. THE BUSINESS COMMUNITY IS NOT PREPARED FOR AUSTERITY, BUT RATHER LIMITED OFFICIAL USE

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IS ANTICIPATING A NEW ERA OF GROWTH AND, THEY HOPE, PROSPERITY, AS IS IMPLIED IN THE NEW AGREEMENTS, THE IDEA FOR WHICH AND MUCH OF THE NEGOTIATIONS PRECEED THE DEVALUATION.

8. THIS SUBJECT WILL BE DISCUSSED AT THE AMBASSADOR'S MEETING WITH U.S. BUSINESSMEN ON AFTERNOON OF DEC 13. WE WILL REPORT THEIR REACTION AND OPINIONS AFTER THIS MEETING. FOREIGN BUSINESSES HAVE PARTICIPATED IN THE NEGOTIATIONS AND WERE

REPRESENTED AT THE DEC 10 CEREMONY.

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